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CITY OF SULPHUR, LA.  
Annual Financial Report and Independent Auditors' Report  
Year Ended June 30, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 9 2002

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**INDEPENDENT AUDITOR'S REPORT**

September 25, 2001

To the Members of the City Council  
City of Sulphur, Louisiana

We have audited the accompanying primary government financial statements of City of Sulphur, Louisiana, as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of City of Sulphur, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements present fairly, in all material respects, the financial position of the primary government of City of Sulphur, Louisiana, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of City of Sulphur, Louisiana, do not purport to, and do not, present fairly the financial position of City of Sulphur, Louisiana, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules and supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of City of Sulphur, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2001 on our consideration of City of Sulphur, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Gragson, Casiday & Guillory*

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS**



Proprietary Fund Types		Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	General Fixed Assets	General Long-Term Assets	2001	2000
\$ 3,991,778	\$ 1,609,075	\$ -	\$ -	\$ 25,369,184	\$ 23,472,891
-	-	-	-	1,748,240	2,192,137
263,909	-	-	-	833,079	645,076
-	-	-	-	308,445	255,259
-	-	-	-	43,107	40,974
-	-	-	-	854,634	869,788
25,252	-	-	-	25,252	28,804
41,974	-	-	-	50,789	46,527
-	11,347	-	-	11,347	11,347
119,141	-	-	-	119,141	125,281
33,779,077	-	13,005,159	-	46,784,236	45,575,333
-	-	-	2,849,692	2,849,692	2,659,468
-	-	-	2,348,529	2,348,529	4,298,725
-	-	-	36,391	36,391	133,655
<u>\$ 38,221,131</u>	<u>\$ 1,620,422</u>	<u>\$ 13,005,159</u>	<u>\$ 5,234,612</u>	<u>\$ 81,382,066</u>	<u>\$ 81,355,265</u>





Proprietary Fund Types		Account Groups		Totals (Memorandum Only)	
Enterprise	Internal Service	General Fixed Assets	General Long-Term Debt	2001	2000
\$ 52,700	\$ 39,149	\$ -	\$ -	\$ 810,842	\$ 1,267,647
75,423	-	-	-	619,475	447,763
91,812	-	-	21,224	113,036	204,640
119,141	-	-	-	119,141	125,281
-	-	-	-	230,063	194,087
-	-	-	4,705,000	4,705,000	6,505,000
-	-	-	493,221	493,221	453,193
-	-	-	15,167	15,167	20,827
<u>339,076</u>	<u>39,149</u>	<u>-</u>	<u>5,234,612</u>	<u>7,105,945</u>	<u>9,218,438</u>
38,922,917	-	-	-	38,922,917	38,572,155
-	-	13,005,159	-	13,005,159	12,469,687
-	1,581,273	-	-	1,581,273	1,300,934
(2,040,862)	-	-	-	(2,040,862)	(2,375,216)
1,000,000	-	-	-	1,000,000	1,000,000
-	-	-	-	2,849,692	2,659,468
-	-	-	-	-	64,196
-	-	-	-	401,264	401,264
-	-	-	-	18,556,678	18,044,339
<u>37,882,055</u>	<u>1,581,273</u>	<u>13,005,159</u>	<u>-</u>	<u>74,276,121</u>	<u>72,136,827</u>
\$ 38,221,131	\$ 1,620,422	\$ 13,005,159	\$ 5,234,612	\$ 81,382,066	\$ 81,355,265

CITY OF SULPHUR, LA.  
Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances -  
All Governmental Fund Types  
Year Ended June 30, 2001

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>REVENUES</b>				
Taxes	\$ 2,382,433	\$ 9,418,810	\$ -	\$ -
Licenses and permits	669,183	-	-	-
Intergovernmental	595,116	-	-	-
Charges for services	682,940	-	-	-
Fines and forfeitures	246,971	-	-	-
Other:				
Special assessment	-	-	88,211	-
Interest	594,273	-	348,121	387,242
Miscellaneous	350,883	-	15,117	16,867
Total Revenues	<u>5,521,799</u>	<u>9,418,810</u>	<u>451,449</u>	<u>404,109</u>
<b>EXPENDITURES</b>				
General and administrative	1,234,577	51,463	-	-
Streets and parks	1,483,662	-	-	-
Fire	2,715,707	-	-	-
Police	2,727,972	-	-	-
Inspection/animal control	340,669	-	-	-
Shop	272,107	-	-	-
Sanitation	704,278	-	-	-
Capital outlay	-	-	116,282	3,065,544
Debt service:				
Principal retirement	5,660	-	1,880,211	-
Interest and fiscal charges	2,238	-	380,971	-
Total Expenditures	<u>9,486,870</u>	<u>51,463</u>	<u>2,377,464</u>	<u>3,065,544</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,965,071)</u>	<u>9,367,347</u>	<u>(1,926,015)</u>	<u>(2,661,435)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	5,459,508	-	2,152,408	3,146,450
Operating transfers out	(1,031,072)	(9,377,794)	(107,271)	(538,928)
Proceeds from issuance of debt	-	-	120,240	-
Total Other Financing Sources (Uses)	<u>\$ 4,428,436</u>	<u>\$ (9,377,794)</u>	<u>\$ 2,165,377</u>	<u>\$ 2,607,522</u>

See accompanying notes.

Continued

CITY OF SULPHUR, LA.  
Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances -  
All Governmental Fund Types (Continued)  
Year Ended June 30, 2001

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 463,365	\$ (10,447)	\$ 239,362	\$ (53,913)
FUND BALANCE--BEGINNING OF YEAR	<u>10,741,986</u>	<u>865,081</u>	<u>2,659,468</u>	<u>6,902,732</u>
FUND BALANCE - END OF YEAR	<u>\$ 11,205,351</u>	<u>\$ 854,634</u>	<u>\$ 2,898,830</u>	<u>\$ 6,848,819</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SULPHUR, LA.  
Combined Statement of Revenues, Expenditures and Changes in  
Fund Balances – Budget and Actual (Non-GAAP Budgetary Basis)  
General and Special Revenue Bonds  
Year Ended June 30, 2001

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Taxes	\$ 1,977,700	\$ 2,382,433	\$ 404,733
Licenses and permits	581,040	669,183	88,143
Intergovernmental	543,000	595,116	52,116
Charges for services	555,000	682,940	127,940
Fines and forfeitures	153,000	246,971	93,971
Other:			
Interest	600,000	594,273	(5,727)
Miscellaneous	98,500	350,883	252,383
Total Revenues	<u>4,508,240</u>	<u>5,521,799</u>	<u>1,013,559</u>
<b>EXPENDITURES</b>			
General and administrative	1,498,109	1,234,577	263,532
Streets and parks	1,528,296	1,483,662	44,634
Fire	2,748,750	2,715,707	33,043
Police	3,061,552	2,663,776	397,776
Inspection/animal control	392,430	340,669	51,761
Shop	287,395	272,107	15,288
Sanitation	800,000	704,278	95,722
Debt services			
Principal retirement	-	5,660	(5,660)
Interest and fiscal charges	-	2,238	(2,238)
Total Expenditures	<u>10,316,532</u>	<u>9,422,674</u>	<u>893,858</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(5,808,292)</u>	<u>(3,900,875)</u>	<u>1,907,417</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	4,977,972	5,459,508	481,536
Operating transfers out	-	(1,031,072)	(1,031,072)
Total Other Financing Sources (Uses)	<u>4,977,972</u>	<u>4,428,436</u>	<u>(549,536)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(830,320)</u>	<u>527,561</u>	<u>1,357,881</u>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<u>10,741,986</u>	<u>10,741,986</u>	<u>-</u>
Increase (Decrease) for Reserve for Encumbrance	<u>-</u>	<u>(64,196)</u>	<u>(64,196)</u>
<b>FUND BALANCE – END OF YEAR</b>	<u>\$ 9,911,666</u>	<u>\$ 11,205,351</u>	<u>\$ 1,293,685</u>

See accompanying notes.

<u>Special Revenue Fund</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 8,850,000	\$ 9,418,810	\$ 568,810
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>8,850,000</u>	<u>9,418,810</u>	<u>568,810</u>
70,000	51,463	18,537
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>70,000</u>	<u>51,463</u>	<u>18,537</u>
<u>8,780,000</u>	<u>9,367,347</u>	<u>587,347</u>
-	-	-
<u>(8,780,000)</u>	<u>(9,377,794)</u>	<u>(597,794)</u>
<u>(8,780,000)</u>	<u>(9,377,794)</u>	<u>(597,794)</u>
-	(10,447)	(10,447)
865,081	865,081	-
-	-	-
<u>\$ 865,081</u>	<u>\$ 854,634</u>	<u>\$ (10,447)</u>

CITY OF SULPHUR, LA.  
Combined Statement of Revenues, Expenses  
and Changes in Retained Earnings (Deficit) –  
Proprietary Fund Types  
Year Ended June 30, 2001

	<u>Internal Service Fund</u>	<u>Enterprise Fund</u>
OPERATING REVENUES		
Water	\$ -	\$ 1,264,103
Sewer	-	1,543,440
Water and sewer taps	-	17,850
Penalties	-	53,872
Charges and fees	<u>462,349</u>	<u>-</u>
Total Operating Revenues	<u>462,349</u>	<u>2,879,265</u>
OPERATING EXPENSES		
General and administrative	262,781	290,129
Water department	-	882,555
Sewer department	-	1,068,042
Depreciation	<u>-</u>	<u>1,180,728</u>
Total Operating Expenses	<u>262,781</u>	<u>3,421,454</u>
OPERATING INCOME (LOSS)	<u>199,568</u>	<u>(542,189)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	80,771	205,566
Gain on sale of assets	<u>-</u>	<u>60,000</u>
Total Non-Operating Revenues (Expenses)	<u>80,771</u>	<u>265,566</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>280,339</u>	<u>(276,623)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	300,000
Operating transfers out	<u>-</u>	<u>(3,300)</u>
Total Other Financing Source (Uses)	<u>-</u>	<u>296,700</u>
NET INCOME (LOSS)	280,339	20,077
Depreciation on Fixed Assets Acquired With Externally Restricted Capital Contributions	<u>-</u>	<u>314,277</u>
Increase (Decrease) in Retained Earnings	280,339	334,354
RETAINED EARNINGS (DEFICIT) – BEGINNING OF YEAR	<u>1,300,934</u>	<u>(1,375,216)</u>
RETAINED EARNINGS (DEFICIT) – END OF YEAR	<u>\$ 1,581,273</u>	<u>\$ (1,040,862)</u>

See accompanying notes.

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS



CITY OF SULPHUR, LA.  
Combined Statement of Cash Flows -  
Proprietary Fund Types  
Year Ended June 30, 2001

	<u>Internal Service Fund</u>	<u>Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 199,568	\$ (542,189)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	-	1,180,728
Gain on sale of assets	-	60,000
Miscellaneous income	2,581	-
(Increase) decrease in accounts receivable	-	(63,973)
(Increase) decrease in inventory	-	(5,213)
Increase (decrease) in accounts payable and accrued expenses	(12,667)	8,501
Net Cash From Operating Activities	<u>189,482</u>	<u>637,854</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers – in	-	300,000
Operating transfers – out	-	(3,300)
Net Cash From Non Capital Financing Activities	<u>-</u>	<u>296,700</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	-	(189,120)
Other	-	-
Net Cash From Capital and Related Financing Activities	<u>-</u>	<u>(189,120)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	<u>78,190</u>	<u>205,566</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>267,672</b>	<b>951,000</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u><b>1,341,403</b></u>	<u><b>3,159,919</b></u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u><b>\$ 1,609,075</b></u>	<u><b>\$ 4,110,919</b></u>
<b>Cash and Equivalents – Unrestricted/Designated</b>	<b>\$ 1,609,075</b>	<b>\$ 3,991,778</b>
<b>Cash and Equivalents – Restricted</b>	<u><b>-</b></u>	<u><b>119,141</b></u>
	<u><b>\$ 1,609,075</b></u>	<u><b>\$ 4,110,919</b></u>

See accompanying notes.



Totals	
2001	2000
\$ (342,621)	\$ (413,903)
1,180,728	935,692
60,000	-
2,581	-
(63,973)	(31,108)
(5,213)	(5,307)
(4,166)	33,005
<u>827,336</u>	<u>518,379</u>
300,000	451,331
<u>(3,300)</u>	<u>(1,413,320)</u>
<u>296,700</u>	<u>(961,989)</u>
(189,120)	(81,723)
-	<u>(3,353)</u>
<u>(189,120)</u>	<u>(85,076)</u>
<u>283,756</u>	<u>269,971</u>
1,218,672	(258,715)
<u>4,501,322</u>	<u>4,760,037</u>
\$ 5,719,994	\$ 4,501,322
\$ 5,600,853	\$ 4,376,041
119,141	125,281
<u>\$ 5,719,994</u>	<u>\$ 4,501,322</u>

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note A - Summary of Significant Accounting Policies

The City of Sulphur, LA. was incorporated under the provisions of the State of Louisiana LA R.S. 33:321-481. The City operates under a home rule charter.

The financial statements of the City of Sulphur, Louisiana have been prepared in conformity with generally accepted accounting policies (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Standards No. 14, the City of Sulphur, LA. is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body and
  - a. The ability of the City of Sulphur, LA. to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City of Sulphur, LA.
2. Organizations for which the City of Sulphur, LA. does not appoint a voting majority but are fiscally dependent on the City of Sulphur, LA.
3. Organizations for which the reporting entity financial statements could be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon the application of these criteria, the following component units are to be included in the City's reporting entity:

The City Court of Sulphur for Ward 4  
The City Marshall of Sulphur for Ward 4

The West Calcasieu Airport Managing Board, a joint service agreement, and the Housing Authority of the City of Sulphur, a related organization, is also to be included in the City's reporting entity.

Only the primary government's financial information is included in these financial statements. Information on how to obtain component unit financial statements can be obtained by contacting the Director of Finance for the City of Sulphur, LA.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note A - Summary of Significant Accounting Policies (Continued):

2. Fund Accounting

The City of Sulphur, LA. uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources. The following funds and groups of accounts are used by the City:

Governmental Funds:

Governmental funds are used to account for all or most of the City's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term obligations. Governmental funds include:

General Fund – the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds – account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Funds – account for the accumulation of resources for, and the payment of, general long-term debt and interest, and special assessment debt.

Capital Projects Funds – account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds:

Proprietary funds are used to account for the activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

Enterprise Fund – accounts for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis is financed through user charges.

Internal Service Fund – accounts for the financing of services provided by one department to the other departments of the City on a cost reimbursement basis.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note A – Summary of Significant Accounting Policies (Continued):

General Fixed Assets and General Long-Term Debt Account Groups:

The General Fixed Assets Account Group – accounts for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. No depreciation is recorded on general fixed assets.

The General Long-Term Debt Account Group – accounts for long-term liabilities to be financed from governmental funds. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized as current fund liabilities and expenditures when they become due.

Those revenues susceptible to accrual include property taxes, special assessments, charges for services interest revenue, and intergovernmental grants. Taxpayer-assessed sales, gross receipts, and licenses, taxes and revenues from most forms of fines and permits are not susceptible to accrual, as they are usually not measurable until actually received.

All proprietary funds are accounted for using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Services for water and sewer are recorded as revenue when billed to customers on a monthly route reading cycle. At the end of the year, utilities services that have not been rendered from the latest date of each route reading cycle to year-end, which are unbilled, are accrued for financial reporting purposes.



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note A – Summary of Significant Accounting Policies (Continued):

Proprietary funds are reported in accordance with GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Funds". This standard requires that all applicable Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research issued on or before November 30, 1989 be applied to proprietary activities unless they conflict with or contradict GASB pronouncements.

Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

4. Budgets and Budgetary Accounting

The City annually adopts and implements an operating and capital budget in accordance with requirements of state law for the General Fund and all Special Revenue and Proprietary Funds. The Capital Projects Fund's budget is a project based capital budget. Policies and procedures with respect to budgetary control are as follows.

No later than sixty days prior to the beginning of each fiscal year, the Mayor submits a budget to the City Council. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated or the revenue estimates must be changed by an affirmative vote of a majority of the City's council. The budget presented is as amended by the City Council.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

In accordance with generally accepted accounting principles, outstanding encumbrances at year end for which goods or services are received are reclassified to expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year end and are either canceled or are included as reappropriations of fund balance for the subsequent year. Encumbrances at year end in funds that are budgeted on a project basis, including Enterprise Fund construction projects, are carried forward along with their related appropriations and are not subject to an annual cancellation and reappropriations.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note A – Summary of Significant Accounting Policies (Continued):

6. Deposits and Investments

Deposits

Deposits include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

State statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. Government Agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, as stipulated in R.S. 39:1271, or any other federally insured investment. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana which generates a local government investment pool.

Governmental Accounting Standards Board Statement 3 (GASB-3) concludes that deposits with financial institutions should be evaluated for risk and classified in one of the three following categories:

Category 1 – Insured or collateralized with securities held by the government entity or by the agent in the name of the governmental entity.

Category 2 – Collateralized with securities held by the pledging institution's trust department or agent in the governmental entity's name.

Category 3 – Uncollateralized, including any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2001, the City has \$25,726,034 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$25,626,034 of pledged securities held by the custodial bank in the name of the fiscal agent bank (Category 1).

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note A – Summary of Significant Accounting Policies (Continued):

Investments

The City's investments are categorized above in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. The City's investment program is limited to purchases of securities issued or guaranteed by the U.S. government and its agencies.

Carrying amounts at June 30, 2001 were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Treasury and agency obligations held by the City or the City's agent in the City's name (Category 1)	\$ 1,748,240	\$ 1,748,240

7. Cash Flows Statement

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

8. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

The City utilizes the allowance method for proprietary funds to recognize doubtful accounts. The allowance for doubtful accounts at June 30, 2001 was \$33,632.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water and sewer user fees in the Enterprise Fund. The City's ability to collect the amounts due from the users of the City water and sewer system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

9. Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

10. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Assets in the general fixed assets account group are not depreciated.



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note A- Summary of Significant Accounting Policies (Continued):

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the public.

Fixed assets in the proprietary fund operations are included on the balance sheet of the fund, net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by the proprietary fund operations is charged as an expense against operations. The City utilizes the straight-line method of depreciation over the following estimated useful lives:

	<u>LIFE</u>
Computer equipment	5 years
Furniture & equipment	5 - 7 years
Property & plant	15 - 50 years
Transportation & equipment	5 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

11. Compensated Absences

Vested or accumulated vacation leave and sick pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave and sick pay that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group, \$21,224 is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Sick leave accrues to full time, permanent employees to specified maximums. Generally, employees are entitled to a percentage of their sick leave balance upon termination if the retirement criteria of the City's municipal retirement system are satisfied.

12. Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note A- Summary of Significant Accounting Policies (Continued):

13. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14. Total Columns on Combined Statements - Overview

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

15. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Note B - Property Taxes

For the year ended June 30, 2001, taxes of 14.69 were levied on property with net assessed valuations totaling \$73,940,240, and were dedicated as follows:

General purposes	5.79 mills
Streets - maintenance	4.45 mills
Fire - maintenance	4.45 mills
 Total taxes levied were	 <u>\$1,086,821</u>

The City is permitted by ordinance to levy taxes up to 16.5 mills of assessed valuation for general governmental services. The general purpose millage is perpetual, while the streets and fire maintenance millages are for a ten year duration and expire in 2005. Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by the end of February are subject to lien.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note C – Changes in Fixed Assets

A. General Fixed Assets

A summary of changes in general fixed assets for the year ended June 30, 2001, follows:

	Beginning of Year	Additions	Deletions	Adjustments/ Transfer	End of Year
Land	\$ 2,360,569	\$ -	\$ -	\$ -	\$ 2,360,569
Buildings	2,489,147	6,600	-	-	2,495,747
Furniture and Equipment	3,140,565	236,581	(48,905)	-	3,328,241
Transportation Equipment	2,423,440	86,739	(82,404)	-	2,427,775
Construction In Progress	2,055,966	2,064,160	-	(1,727,299)	2,392,827
Total	<u>\$ 12,469,687</u>	<u>\$ 2,394,080</u>	<u>\$ (131,309)</u>	<u>\$ (1,727,299)</u>	<u>\$ 13,005,159</u>

Transfers are related to the completion of proprietary fund construction and renovation projects.

The construction in progress consists of the following projects:

	Total Budgeted	Construction In Progress
Verdine Plant Line	\$ 725,000	\$ 659,728
Wastewater Flowmeters	75,000	28,043
Water Distribution	2,896,000	419,751
Elevated Tank	950,000	762,253
Rosepark Force Main	600,000	5,685
Wastewater Plant Expansion	1,000,000	145,816
Various Projects – 1999	20,000	17,986
City Hall Renovations	550,000	10,690
GIS Mapping	362,875	342,875
Total	<u>\$ 7,178,875</u>	<u>\$ 2,392,827</u>

B. Proprietary Fund Fixed Assets

The following is a summary of the proprietary fund fixed assets as of June 30:

	2000	2001
Property and plant	\$ 44,678,645	\$ 45,343,684
Furniture and equipment	1,168,738	1,306,279
Transportation equipment	156,618	208,198
	<u>46,004,001</u>	<u>46,858,161</u>
Less allowance for accumulated depreciation	(11,898,355)	(13,079,084)
Totals	<u>\$ 34,105,646</u>	<u>\$ 33,779,077</u>

Depreciation expense was \$1,180,728 for the year ended June 30, 2001.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note D - Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2001:

	<u>Beginning of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>End of Year</u>
Bonds payable:				
General Obligation	\$ 6,505,000	\$ -	\$ (1,800,000)	\$ 4,705,000
Special Assessments	453,193	120,240	(80,212)	493,221
Accrued Leave Benefits	112,828	-	(91,604)	21,224
Capital Lease Obligations	<u>20,827</u>	<u>-</u>	<u>(5,660)</u>	<u>15,167</u>
<b>Total</b>	<b>\$ 7,091,848</b>	<b>\$ 120,240</b>	<b>\$ (1,977,476)</b>	<b>\$ 5,234,612</b>

Bonds payable at June 30, 2001 are comprised of the following individual issues:

General Obligation Bonds:

\$13,150,000 Public Improvement refunding bonds dated 02/10/93; due in varying annual installments of \$915,000 - \$1,655,000 through October 1, 2004; interest at varying rates from 3.45% - 5.65% (This issue secured by a pledge of the City's 2% sales and use tax) \$ 4,705,000

Special Assessment Bonds:

\$142,839 Paving Project 1992-1 dated 08/01/92; due in annual installments of \$14,284 through August 1, 2002; interest at 5.85%	28,567
\$346,677 Paving Project 1993-1 dated 08/01/93; due in annual installments of \$34,667 through August 1, 2002, interest at 6%	131,677
\$109,600 Paving Project 1996-1 dated 11/12/96; due in annual installments of \$11,550 through December 1, 2006; interest 5.07%	65,760
\$127,581 Paving Project 1997-1 dated 12/01/97; due in varying annual installments of \$13,416 - \$19,079 through December 1, 2007, interest 4.7%.	89,307
\$72,000 Paving Project 1999 -1 dated 04/01/99; due in annual installments of \$7,209 through April 1, 2009, interest at 5%	57,670
\$120,240 Paving Project 2000-1 dated 12/01/00, due in annual installments of \$12,024 through December 1, 2010, interest at 4.93%	120,240

Other Long-Term Debt:

Accrued Leave Payable	21,224
Capital Lease Obligations	<u>15,167</u>
<b>Total Long-Term Debt</b>	<b>\$ 5,234,612</b>

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note D - Long-Term Debt (Continued):

The annual requirements to amortize all debt outstanding, including interest of \$548,730 are as follows:

<u>Year</u>	<u>General : Obligation Bonds</u>	<u>Special : Assessment Bonds</u>	<u>Other</u>	<u>Total</u>
2002	\$ 1,746,298	\$ 123,736	\$ 29,052	\$ 1,899,086
2003	1,745,365	123,359	7,828	1,876,552
2004	1,748,508	105,035	1,579	1,855,122
2005	-	53,347	-	53,347
2006	-	51,320	-	51,320
Thereafter	-	47,915	-	47,915
	<u>\$ 5,240,171</u>	<u>\$ 504,712</u>	<u>\$ 38,459</u>	<u>\$ 5,783,342</u>

The City defeased a bond issue in the year ended June 30, 1998. The City placed sufficient proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. The required cash flow to service the defeased debt totaled \$1,920,000, while the new debt service requirement totaled \$1,902,161. The existing amount of the defeased debt outstanding at June 30, 2001 is \$597,849.

The City has entered into two lease agreements as lessee for financing the acquisition of two phone systems. The economic substance of the lease is that the City is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the City's assets and liabilities. The original cost of the equipment was \$28,164.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2001:

<u>Year Ending June 30,</u>	<u>General Long-Term Debt</u>
2002	\$ 7,828
2003	7,828
2004	<u>1,579</u>
Total minimum lease payments	17,235
Less amount representing interest	<u>(2,068)</u>
Present value of minimum Lease payments	\$ 15,167



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note E - Dedication of Sales Tax Proceeds

Proceeds of the 2 ½% sales and use tax levied by the City of Sulphur, LA. are dedicated to the following purposes:

After distribution of ½% to 1998 Public Improvement Bonds and 1991 capital improvement paygo fund and payment of all costs of levy and collection:

Fifty percent (50%), but not to exceed the total annual debt service on any and all bonds secured by pledge of proceeds of this fund to the City, which proceeds shall be dedicated and used for any of the following capital improvements: opening, construction, paving and improving streets, sidewalks, roads and alleys; constructing bridges, purchasing or constructing water works; sewerage and sewerage disposal works, drains, drainage canals, pumping plants, and waste disposal facilities; facilities for pollution control and abatement; water and waste water systems; halls; courthouses; auditoriums, jails, public parks and recreation facilities; other public works and/or buildings; title to which said works, buildings and improvements shall be in the public.

After payment of above costs:

1. Twenty percent (20%), but not to exceed \$300,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana, to the Streets and Parks Department for any lawful purpose.
2. Twenty percent (20%), but not to exceed \$300,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana, to the Public Utilities Department for any lawful purpose.
3. Fourteen percent (14%), to the General Fund of the City of Sulphur, Louisiana for operating expenses of the City and for any other lawful purpose.
4. Twenty percent (20%), but not to exceed \$300,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana to the General Fund of the City of Sulphur, Louisiana, for salaries and salary increases to employees of the City of Sulphur, Louisiana, based on a merit and cost-of-living evaluation system.
5. Six percent (6%), but not to exceed \$90,000 annually, without subsequent approval of the Council of the City of Sulphur, Louisiana, to the Fire Department for any lawful purpose.
6. Twenty percent (20%), together with any excess portion of any of the foregoing allocations, to a reserve and match money fund, which fund shall be used first to satisfy any bond issue or bond indenture requirements, and after said bond indenture requirements have been satisfied, any excess funds to be used as 'matching money' for any state and federal grant program or for any lawful corporate purpose at the discretion of the City of Sulphur, Louisiana.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note F - Contributed Capital

During the year, contributed capital changed by the following amounts:

Depreciation of fixed assets acquired by funds externally restricted for capital expenditures	\$ (314,277)
Contributed Capital, Beginning	38,572,155
Municipality Contributions	<u>665,039</u>
Contributed Capital, Ending	<u>\$ 38,922,917</u>

Note G - Retained Earnings (Deficit)

Deficit retained earnings balance of the enterprise fund at June 30, 2001 was \$1,040,862. The deficit consists entirely of accumulated depreciation. The deficit will be reduced by future operating income.

Note H - Expenditures on Budgetary Basis

All budgets are adopted on the encumbrance basis (see summary of significant accounting policies). The following is a summary of GAAP expenditure adjustments to include encumbrances outstanding at year end.

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>
General Fund:			
General and administrative	\$ 1,234,577	\$ -	\$ 1,234,577
Streets and parks	1,483,662	-	1,483,662
Fire	2,715,707	-	2,715,707
Police	2,410,347	(64,196)	2,346,151
Drug seizure	317,625	-	317,625
Inspection/animal control	340,669	-	340,669
Shop	272,107	-	272,107
Sanitation	704,278	-	704,278
Debt service	7,898	-	7,898
Total	<u>\$ 9,486,870</u>	<u>\$ (64,196)</u>	<u>\$ 9,422,674</u>

Note I - Retirement Commitments

The City participates in three state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the City's full-time employees: Municipal Employees Retirement System, Municipal Police Employees' Retirement System and Firefighters' Retirement System of the State of Louisiana. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Additional disclosures with respect to the City's participation in these systems are provided below.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note I - Retirement Commitments (Continued)

Municipal Employees' Retirement System

The System is composed of two district plans, Plan A and Plan B, with separate assets and benefit provisions. Employees of the City are members of Plan A. Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week, not participating in another public funded retirement system and under age sixty (60) at date of employment. Those individuals paid jointly by a participating employer and the parish are not eligible for membership in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of credited services, at or after age 55 with 25 years of credited service, or at any age with 30 or more years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or jointed months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Employees' Retirement System of Louisiana issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Employees' Retirement System of Louisiana, 9737 Office Park Boulevard, Baton Rouge, LA 70809.

Plan members are required to contribute 5.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 4.5% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the year ended June 30, 2001 totaled \$134,420.

Municipal Police Employees' Retirement System

Membership is mandatory for any full-time police officer employed by a municipality of the State of Louisiana and engaged in law enforcement empowered to make arrest, providing they do not have to pay social security and providing they meet the statutory criteria. Employees who retire at or after age 50 with at least 20 years of credited service, or at or after age 55 with at least 12 years of credited service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3 percent of their average final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or jointed months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Municipal Police Employee's Retirement System issues a publicly available report that includes financial statements and required supplemental information. That report may be obtained by writing to Municipal Police Employee's Retirement System, 8401 United Plaza Blvd., Suite 270, Baton Rouge, LA 70809-7017.



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note I - Retirement Commitments (Continued):

*Plan members are required to contribute 7.5% of their annual covered salary and the City is required to contribute 9.0% as established by the state statute. The City's contributions to the System for the year ended June 30, 2001 totaled \$126,879.*

Firefighters' Retirement System

Membership is mandatory as a condition of employment beginning on date employed if the employee is on a permanent basis as a firefighter, not participating in another publicly funded retirement system and under age fifty (50) at date of employment. Employees who retire at or after age 50 with at least 20 years of credited service, or at or after age 55 with at least 12 years of credited service are entitled to a retirement benefit payable monthly for life, equal to 3-1/3 percent of their average final compensation multiplied by the employee's years of credited service. Final compensation is the employee's monthly earnings during the 36 consecutive or joined months that produce the highest average. The System also provides death and disability benefits. Benefits are established by state statute.

The Firefighter's Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Firefighter's Retirement System, P.O. Box 94095 Capitol Station, Baton Rouge, LA 70804-9095.

Plan members are required to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.0% of annual covered payroll. The contribution requirements of Plan members are established and may be amended by the System's Board of Trustees. The City's contributions to the System for the year ended June 30, 2001 totaled \$152,662.

Note J- Contingencies

*Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time.*

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Note K- Risk Management Obligations

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City established a limited risk management program for workers' compensation in fiscal year 1996. Premiums are paid into the internal service fund by the general and public utility funds and are available to pay claims, claim reserves, reinsurance premiums and administrative costs of the program. The surplus retained earnings resulting from charges for anticipated future catastrophic losses have been designated.



CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

**Note K- Risk Management Obligations (Continued)**

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$250,000 with an aggregate claim limit of \$1,000,000. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering recent claims settlement trends including frequency and amount of pay-outs and other economic and social factors.

The liability for claims and judgments is reported in the internal service fund because it is expected to be liquidated with expendable available financial resources. Changes in the balances of claims liabilities during the past year are as follows:

Unpaid claims, beginning of fiscal year	\$ 51,818
Incurred claims (including IBNRs)	214,588
Claim payments	<u>(227,257)</u>
Unpaid claims, end of fiscal year	\$ 39,149

**Note L- Council Members Compensation**

Each council member receives monthly compensation. The following is a list of council members and their compensation for the fiscal year ended June 30, 2001:

<u>District 1</u> Wilmer Dugas	\$ 4,200
<u>District 2</u> Bill Emmons	4,200
<u>District 3</u> David Ritchie	4,200
<u>District 4</u> Dick Kennison	4,200
<u>District 5</u> Patricia Hemphill	4,200

The compensation paid to the Mayor for the year end June 30, 2001, is as follows:

Charles Reed, Mayor	\$ 56,627
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**Note M- Service Agreement**

The City entered into an agreement with the Motor Vehicle Commissioner of the State of Louisiana to provide financial support for the cost of operating the local Department of Motor Vehicles (DMV) field office. The DMV subsidizes the cost of local operations by remitting to an account, a two-dollar per service transaction fee. The City provides an annual accounting to the DMV of income and reimbursable expenses. Funds in excess of reimbursement may be utilized for fixed asset acquisitions or offset to recover operating costs previously funded by the DMV. The accumulated funds available for asset acquisitions or cost recovery totaled \$99,779 at June 30, 2001.

CITY OF SULPHUR, LA.  
Notes to Financial Statements  
June 30, 2001

Note N- Future Commitment

An administrative report has been received from the Environmental Protection Agency which mandates that the City upgrade its wastewater system. This will be done in three phases with a projected start date of February 2001 and an expected completion date of January 2004. The total estimated costs for this project is \$25,000,000. Approximately \$11,000,000 of this cost will be shared by the Calcasieu Parish Police Jury and the City of Westlake, LA.

**COMBINING, INDIVIDUAL FUND AND ACCOUNT  
GROUP FINANCIAL STATEMENTS AND SCHEDULES**

## GENERAL FUND

To account for resources traditionally associated with government, which is not required legally or by sound financial management to be accounted for in another fund.

CITY OF SULPHUR, LA.  
General Fund  
Comparative Balance Sheet  
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 11,307,135	\$ 10,441,719
Investments	-	541,479
Receivables	569,170	448,692
Inventories	<u>8,815</u>	<u>9,766</u>
<b>TOTAL ASSETS</b>	<b>\$ 11,885,120</b>	<b>\$ 11,441,656</b>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 135,717	\$ 324,217
Accrued salaries and payroll taxes	201,657	197,330
Accrued vacation and comp time	240,411	170,579
Accrued payroll benefits	<u>101,984</u>	<u>7,544</u>
Total Liabilities	<u>679,769</u>	<u>699,670</u>
<b>FUND BALANCE</b>		
Reserved for encumbrances	-	64,196
Designated for solid waste	401,264	401,264
Unreserved-undesignated	<u>10,804,087</u>	<u>10,276,526</u>
Total Fund Balance	<u>11,205,351</u>	<u>10,741,986</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 11,885,120</b>	<b>\$ 11,441,656</b>

See accompanying notes.

CITY OF SULPHUR, LA.  
General Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2001  
(With Comparative Totals for June 30, 2000)

		2001		2000
	Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)	Actual On Budgetary Basis
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 1,005,000	\$ 1,156,643	\$ 151,643	\$ 1,066,454
Public utility franchise	972,700	1,225,790	253,090	990,858
Licenses and permits				
Licenses	546,620	622,678	76,058	625,870
Permits	34,420	46,505	12,085	71,016
Intergovernmental				
Tobacco and beer	128,000	35,943	(92,057)	137,935
Fire insurance	30,000	42,064	12,064	39,982
Video poker	350,000	475,049	125,049	457,999
Dare grant	35,000	42,060	7,060	43,960
Charges for services				
Sanitation	555,000	682,940	127,940	629,503
Recycling	-	-	-	-
Fines				
Court fines	153,000	242,244	89,244	276,367
DWI and drug seizures	-	4,727	4,727	45,608
Other				
Interest	600,000	594,273	(5,727)	616,403
Rentals and leases	7,500	6,532	(968)	12,330
Alien and prisoner housing	50,000	103,687	53,687	86,943
Miscellaneous	41,000	138,308	97,308	73,532
Sale of fixed assets	-	102,175	102,175	35,000
Damages and settlements received	-	181	181	-
Total Revenues	<u>4,508,240</u>	<u>5,521,799</u>	<u>1,013,559</u>	<u>5,209,760</u>
<b>EXPENDITURES</b>				
General and administrative	1,498,109	1,234,577	263,532	1,324,294
Streets and parks	1,528,296	1,483,662	44,634	1,407,140
Fire	2,748,750	2,715,707	33,043	2,825,041
Police	2,592,457	2,346,151	246,306	2,286,154
Drug seizure	469,095	317,625	151,470	308,965
Inspection/animal control	392,430	340,669	51,761	240,047
Industrial development	-	-	-	60,783
Shop	287,395	272,107	15,288	242,682
Sanitation	800,000	704,278	95,722	639,590
Debt service				
Principal retirement	-	5,660	(5,660)	4,952
Interest and fiscal charges	-	2,238	(2,238)	2,686
Total Expenditures	<u>10,316,532</u>	<u>9,422,674</u>	<u>893,858</u>	<u>9,342,334</u>

See accompanying notes.

Continued

CITY OF SULPHUR, LA.  
General Fund  
Statement of Revenues, Expenditures and Changes  
In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) - Continued  
Year Ended June 30, 2001  
(With Comparative Totals for June 30, 2000)

	2001		2000	
	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Actual On Budgetary Basis	
	Budget			
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,808,292)	\$ (3,900,875)	\$ 1,907,417	\$ (4,132,574)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	4,977,972	5,459,508	481,536	5,313,600
Operating transfers out	-	(1,031,072)	(1,031,072)	(1,515,611)
Capital lease	-	-	-	7,369
Total Other Financing Sources (Uses)	4,977,972	4,428,436	(549,536)	3,805,358
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(830,320)	527,561	1,357,881	(327,216)
FUND BALANCE-BEGINNING OF YEAR	10,741,986	10,741,986	-	11,663,472
Increase (Decrease) for Reserve for Encumbrance	-	(64,196)	(64,196)	(594,270)
FUND BALANCE-END OF YEAR	\$ 9,911,666	\$ 11,205,351	\$ 1,293,685	\$ 10,741,986

See accompanying notes.



CITY OF SULPHUR, LA.  
General Fund  
Statement of Departmental Expenditures –  
Budget and Actual (Non-GAAP) Budgetary Basis)  
Year Ended June 30, 2001  
(With Comparative Totals for June 30, 2000)

		2001		2000
	Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Actual on Budgetary Basis
<b>GENERAL AND ADMINISTRATIVE</b>				
Acquisitions	\$ 125,600	\$ 70,913	\$ 54,687	\$ 166,368
Advertising	12,500	7,918	4,582	6,338
Automotive	12,300	4,626	7,674	4,308
Business and goodwill	6,000	5,645	355	5,001
Claims settlements	30,000	6,110	23,890	22,811
Coroner and pathology	15,000	19,288	(4,288)	15,709
Dues and subscriptions	14,200	10,785	3,415	11,464
Employee benefits	156,439	133,938	22,501	126,017
Insurance	47,910	34,989	12,921	36,156
Janitorial supplies	1,700	1,391	309	1,608
Legal and professional	95,060	83,420	11,640	75,644
Miscellaneous	1,000	-	1,000	12,976
Office supplies	15,900	10,934	4,966	6,785
Operating supplies	21,100	7,515	13,585	12,371
Printing	9,250	3,885	5,365	4,896
Repairs and maintenance	33,950	35,989	(2,039)	25,892
Rentals	11,000	2,815	8,185	2,796
Salaries	715,700	665,893	49,807	669,743
Special projects	47,500	43,131	4,369	22,952
Tax collector fees	30,000	22,500	7,500	29,843
Telephone and utilities	44,800	46,445	(1,645)	48,204
Training	33,200	9,494	23,706	1,955
Travel	18,000	6,953	11,047	14,457
<b>TOTAL GENERAL AND ADMINISTRATIVE</b>	<b>\$ 1,498,109</b>	<b>\$ 1,234,577</b>	<b>\$ 263,532</b>	<b>\$ 1,324,294</b>
<b>STREETS AND PARKS</b>				
Acquisitions	\$ 62,880	\$ 70,996	\$ (8,116)	\$ 110,130
Automotive	43,500	47,651	(4,151)	43,426
Employee benefits	159,934	136,500	23,434	109,431
Insurance	145,732	128,476	17,256	92,292
Janitorial supplies	900	947	(47)	869
Legal and professional	6,100	2,853	3,247	1,887
Office supplies	3,500	2,120	1,380	2,499
Operating supplies	87,500	94,017	(6,517)	100,806
Repairs and maintenance	46,000	60,152	(14,152)	46,701
Salaries	747,750	718,756	28,994	647,636
Special projects	5,000	-	5,000	-
Telephone and utilities	208,000	210,030	(2,030)	240,010
Training	700	80	620	165
Travel	800	398	402	699
Uniforms	10,000	10,686	(686)	10,589
<b>TOTAL STREETS AND PARKS</b>	<b>\$ 1,528,296</b>	<b>\$ 1,483,662</b>	<b>\$ 44,634</b>	<b>\$ 1,407,140</b>

See accompanying notes.



CITY OF SULPHUR, LA.  
General Fund  
Statement of Departmental Expenditures --  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2001  
(With Comparative Totals for June 30, 2000)

		2001		2000
	Budget	Actual on Budgetary Basis	Variable Favorable (Unfavorable)	Actual on Budgetary Basis
<b>FIRE</b>				
Acquisitions	\$ 83,500	\$ 115,900	\$ (32,400)	\$ 373,848
Advertising	800	-	800	89
Automotive	31,000	26,382	4,618	25,994
Dues and subscriptions	1,000	1,125	(125)	955
Employee benefits	305,000	315,795	(10,795)	288,928
Insurance	186,500	207,056	(20,556)	131,755
Janitorial supplies	5,000	3,651	1,349	4,445
Legal and professional	13,500	23,265	(9,765)	24,598
Miscellaneous	-	7,017	(7,017)	15,565
Office supplies	4,350	2,600	1,750	3,453
Operating supplies	24,950	3,281	21,669	2,528
Repairs and maintenance	43,900	32,297	11,603	67,233
Salaries	1,985,000	1,907,699	77,301	1,786,697
Special projects	250	9,469	(9,219)	19,071
Telephone and utilities	48,000	48,858	(858)	43,092
Training	8,000	5,585	2,415	19,287
Travel	4,000	1,719	2,281	16,648
Uniforms	4,000	4,008	(8)	855
<b>TOTAL FIRE</b>	<b>\$ 2,748,750</b>	<b>\$ 2,715,707</b>	<b>\$ 33,043</b>	<b>\$ 2,825,041</b>
<b>POLICE</b>				
Acquisitions	\$ 44,000	\$ 62,902	\$ (18,902)	\$ 186,425
Advertising	500	30	470	274
Automotive	93,326	82,736	10,590	85,828
Crime prevention	27,300	14,342	12,958	19,167
Dues and subscriptions	2,500	1,468	1,032	1,405
Employee benefits	253,136	270,577	(17,441)	230,140
Insurance	196,435	166,192	30,243	122,276
Janitorial supplies	3,500	1,714	1,786	3,079
Legal and professional	35,000	13,668	21,332	28,694
Miscellaneous	51,600	-	51,600	-
Office supplies	7,000	6,215	785	3,626
Operating supplies	33,550	25,216	8,334	39,530
Repairs and maintenance	85,000	58,562	26,438	64,722
Salaries	1,658,110	1,549,911	108,199	1,408,340
Telephone and utilities	56,000	59,847	(3,847)	59,701
Training	8,500	5,809	2,691	7,943
Travel	8,500	7,982	518	9,521
Uniforms	28,500	18,980	9,520	15,483
<b>TOTAL POLICE</b>	<b>\$ 2,592,457</b>	<b>\$ 2,346,151</b>	<b>\$ 246,306</b>	<b>\$ 2,286,154</b>

See accompanying notes.

CITY OF SULPHUR, LA.  
General Fund  
Statement of Departmental Expenditures –  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2001  
(With Comparative Totals for June 30, 2000)

		2001	Variance	2000
	Budget	Actual on Budgetary Basis	Favorable (Unfavorable)	Actual on Budgetary Basis
<b>DRUG SEIZURE</b>				
Acquisitions	\$ 47,000	\$ 3,388	\$ 43,612	\$ 32,003
Advertising	500	134	366	-
Automotive	18,500	10,344	8,156	11,482
Crime prevention	47,000	17,690	29,310	28,148
Employee benefits	39,900	34,328	5,572	27,999
Insurance	31,700	19,254	12,446	5,957
Miscellaneous	20,000	-	20,000	-
Office supplies	3,500	3,376	124	3,445
Operating supplies	2,000	466	1,534	587
Professional services	1,500	-	1,500	-
Repairs and maintenance	23,160	9,607	13,553	9,361
Salaries	223,335	210,436	12,899	177,315
Telephone and utilities	5,000	4,642	358	5,809
Training	2,500	1,868	632	1,343
Travel	2,000	1,303	697	4,591
Uniforms	1,500	789	711	925
<b>TOTAL DRUG SEIZURE</b>	<b>\$ 469,095</b>	<b>\$ 317,625</b>	<b>\$ 151,470</b>	<b>\$ 308,965</b>
<b>INSPECTION/ANIMAL CONTROL</b>				
Acquisitions	\$ 58,195	\$ 40,489	\$ 17,706	\$ 20,288
Automotive	8,000	7,523	477	4,881
Dues and subscriptions	400	143	257	137
Employee benefits	32,870	30,797	2,073	21,962
Insurance	20,550	21,168	(618)	11,149
Janitorial supplies	1,000	872	128	828
Legal and professional	6,515	2,761	3,754	2,459
Office supplies	1,000	940	60	1,740
Operating supplies	10,250	5,212	5,038	6,096
Repairs and maintenance	11,800	7,287	4,513	8,633
Telephone and utilities	16,500	7,136	9,364	4,219
Training	2,300	1,645	655	336
Travel	1,750	848	902	976
Salaries	217,200	211,150	6,050	154,441
Uniforms	4,100	2,698	1,402	1,902
<b>TOTAL INSPECTION/ ANIMAL CONTROL</b>	<b>\$ 392,430</b>	<b>\$ 340,669</b>	<b>\$ 51,761</b>	<b>\$ 240,047</b>

See accompanying notes.

CITY OF SULPHUR, LA.  
General Fund  
Statement of Departmental Expenditures --  
Budget and Actual (Non-GAAP Budgetary Basis)  
Year Ended June 30, 2001  
(With Comparative Totals for June 30, 2000)

	2001			2000
	Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Actual on Budgetary Basis
INDUSTRIAL DEVELOPMENT				
Industrial improvements	\$ -	\$ -	\$ -	\$ 60,783
SHOP				
Acquisitions	\$ 29,195	\$ 25,024	\$ 4,171	\$ 5,235
Automotive	2,250	1,718	532	2,251
Employee benefits	33,350	28,115	5,235	26,740
Insurance	16,600	17,337	(737)	13,102
Janitorial supplies	300	-	300	158
Legal and professional	720	34	686	-
Miscellaneous	-	578	(578)	235
Operating supplies	8,180	6,070	2,110	4,682
Repairs and maintenance	1,400	959	441	15
Salaries	186,500	183,000	3,500	181,936
Telephone and utilities	5,400	5,954	(554)	4,955
Training	500	645	(145)	700
Uniforms	3,000	2,673	327	2,673
TOTAL SHOP	\$ 287,395	\$ 272,107	\$ 15,288	\$ 242,682
SANITATION				
Contractual and operational services	\$ 800,000	\$ 704,278	\$ 95,722	\$ 639,590

See accompanying notes.

## **SPECIAL REVENUE FUND**

To account for specific revenues that is legally restricted to expenditures for particular purposes.

Sales Tax Fund – To account for the receipt and use of proceeds of the City's 2 ½% sales and use tax.

CITY OF SULPHUR, LA.  
Special Revenue Fund  
Comparative Balance Sheet  
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Sales tax receivable	\$ 854,634	\$ 869,788
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 4,707
 <b>FUND BALANCE</b>		
Reserved	<u>854,634</u>	<u>865,081</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 854,634</u>	<u>\$ 869,788</u>

See accompanying notes.



CITY OF SULPHUR, LA.  
Special Revenue Fund  
Comparative Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
REVENUES		
Sales tax	\$ 9,418,810	\$ 9,237,723
EXPENDITURES		
Professional fees	<u>51,463</u>	<u>36,723</u>
Excess of Revenues Over Expenditures	9,367,347	9,201,000
OTHER FINANCING (USES)		
Transfers to other funds	<u>(9,377,794)</u>	<u>(9,198,297)</u>
Excess (deficiency) of Revenues Over Expenditures and Other Uses	(10,447)	2,703
FUND BALANCE – BEGINNING OF YEAR	<u>865,081</u>	<u>862,378</u>
FUND BALANCE – END OF YEAR	<u>\$ 854,634</u>	<u>\$ 865,081</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget and Actual  
Year Ended June 30, 2001  
(With Comparative Totals for June 30, 2000)

	<u>2001</u>			<u>2000</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
REVENUES				
Sales tax	\$ 8,850,000	\$ 9,418,810	\$ 568,810	\$ 9,237,723
EXPENDITURES				
Professional fees	<u>70,000</u>	<u>51,463</u>	<u>18,537</u>	<u>36,723</u>
Excess of Revenues Over Expenditures	8,780,000	9,367,347	587,347	9,201,000
OTHER FINANCING (USES)				
Transfers to other funds	<u>(8,780,000)</u>	<u>(9,377,794)</u>	<u>(597,794)</u>	<u>(9,198,297)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	-	(10,447)	(10,447)	2,703
FUND BALANCE – BEGINNING OF YEAR	<u>865,081</u>	<u>865,081</u>	<u>-</u>	<u>862,378</u>
FUND BALANCE – END OF YEAR	<u>\$ 865,081</u>	<u>\$ 854,634</u>	<u>\$ (10,447)</u>	<u>\$ 865,081</u>

See accompanying notes.

## **DEBT SERVICE FUNDS**

To account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

CITY OF SULPHUR, LA.  
Debt Service Funds  
Combining Balance Sheet  
June 30, 2001  
(With Comparative Totals for June 30, 2000)

	<u>Paving Project 1991</u>	<u>Paving Project 1992</u>	<u>Paving Project 1993</u>	<u>Public Improvement 1993</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 28,911	\$ 147,009	\$ 673,361
Investments	-	-	-	1,748,240
Assessments receivable:				
Current	-	3,723	7,019	-
Delinquent	-	2,961	12,502	-
Deferred	-	-	20,333	-
Interest receivable	-	-	-	43,107
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 35,595</u>	<u>\$ 186,863</u>	<u>\$ 2,464,708</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	20,333	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>20,333</u>	<u>-</u>
<b>FUND BALANCE</b>				
Reserve for debt service	-	28,568	131,677	2,464,708
Unreserved	-	7,027	34,853	-
<b>Total Fund Balance</b>	<u>-</u>	<u>35,595</u>	<u>166,530</u>	<u>2,464,708</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 35,595</u>	<u>\$ 186,863</u>	<u>\$ 2,464,708</u>

See accompanying notes.

<u>Paving Projects 1996-1999</u>	<u>Paving Projects 2000</u>	<u>2001 Totals</u>	<u>2000 Totals</u>
\$ 179,254	\$ 38,510	\$ 1,067,045	\$ 906,664
-	-	1,748,240	1,650,658
19,893	11,174	41,809	29,722
21,110	-	36,573	35,837
109,168	100,562	230,063	189,700
-	-	43,107	40,974
<u>\$ 329,425</u>	<u>\$ 150,246</u>	<u>\$ 3,166,837</u>	<u>\$ 2,853,555</u>
\$ 263	\$ 37,681	\$ 37,944	\$ -
109,168	100,562	230,063	194,087
<u>109,431</u>	<u>138,243</u>	<u>268,007</u>	<u>194,087</u>
212,736	12,003	2,849,692	2,659,468
7,258	-	49,138	-
<u>219,994</u>	<u>12,003</u>	<u>2,898,830</u>	<u>2,659,468</u>
\$ 329,425	\$ 150,246	\$ 3,166,837	\$ 2,853,555



CITY OF SULPHUR, LA.  
Debt Service Funds  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Year Ended June 30, 2001  
(With Comparative Totals for June 30, 2000)

	Paving Project 1991	Paving Project 1992	Paving Project 1993	Public Improvement 1993
<b>REVENUES</b>				
Assessment levies	\$ -	\$ 3,958	\$ 17,851	\$ -
Interest on investments	13,762	1,410	7,479	300,939
Interest on assessments	-	557	2,672	-
Other income	-	-	-	15,117
Total Revenues	<u>13,762</u>	<u>5,925</u>	<u>28,002</u>	<u>316,056</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	390,000	14,284	35,000	1,410,000
Interest and fiscal charges	18,481	2,506	10,407	336,440
Capital outlays	-	-	-	-
Total Expenditures	<u>408,481</u>	<u>16,790</u>	<u>45,407</u>	<u>1,746,440</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(394,719)</u>	<u>(10,865)</u>	<u>(17,405)</u>	<u>(1,430,384)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	406,380	-	-	1,746,028
Operating transfers out	(82,536)	-	-	-
Proceeds from issuance of debt	-	-	-	-
Total Other Financing Sources (Uses)	<u>323,844</u>	<u>-</u>	<u>-</u>	<u>1,746,028</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(70,875)</u>	<u>(10,865)</u>	<u>(17,405)</u>	<u>315,644</u>
<b>FUND BALANCE-BEGINNING OF YEAR</b>	<u>70,875</u>	<u>46,460</u>	<u>183,935</u>	<u>2,149,064</u>
<b>FUND BALANCE-END OF YEAR</b>	<u>\$ -</u>	<u>\$ 35,595</u>	<u>\$ 166,530</u>	<u>\$ 2,464,708</u>

See accompanying notes.

<u>Paving Projects 1996-1998</u>	<u>Paving Projects 2000</u>	<u>2001 Totals</u>	<u>2000 Totals</u>
\$ 42,850	\$ 23,552	\$ 88,211	\$ 45,685
10,113	2,048	335,751	196,960
9,141	-	12,370	14,991
-	-	15,117	397
<u>62,104</u>	<u>25,600</u>	<u>451,449</u>	<u>258,033</u>
30,927	-	1,880,211	1,785,211
13,137	-	380,971	468,527
-	116,282	116,282	7,917
<u>44,064</u>	<u>116,282</u>	<u>2,377,464</u>	<u>2,261,655</u>
<u>18,040</u>	<u>(90,682)</u>	<u>(1,926,015)</u>	<u>(2,003,622)</u>
-	-	2,152,408	2,141,383
(7,180)	(17,555)	(107,271)	-
-	120,240	120,240	-
<u>(7,180)</u>	<u>102,685</u>	<u>2,165,377</u>	<u>2,141,383</u>
10,860	12,003	239,362	137,761
<u>209,134</u>	<u>-</u>	<u>2,659,468</u>	<u>2,521,707</u>
<u>\$ 219,994</u>	<u>\$ 12,003</u>	<u>\$ 2,898,830</u>	<u>\$ 2,659,468</u>

## CAPITAL PROJECTS FUND

To account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.



<u>1996/1997 Public Improvement</u>	<u>2001 Totals</u>	<u>2000 Totals</u>
\$ 3,305,511	\$ 7,394,151	\$ 7,771,843
\$ -	\$ 13,287	\$ 23,376
<u>197,591</u>	<u>532,045</u>	<u>845,735</u>
197,591	545,332	869,111
<u>3,107,920</u>	<u>6,848,819</u>	<u>6,902,732</u>
\$ 3,305,511	\$ 7,394,151	\$ 7,771,843





<u>1996/1997 Public Improvements</u>	<u>2001 Totals</u>	<u>2000 Totals</u>
\$ -	\$ -	\$ 7,355
167,280	387,242	340,321
-	16,867	196
<u>167,280</u>	<u>404,109</u>	<u>347,872</u>
5,758	10,805	14,471
1,008,879	2,365,104	2,964,709
319,627	689,635	440,537
<u>1,334,264</u>	<u>3,065,544</u>	<u>3,419,717</u>
<u>(1,166,984)</u>	<u>(2,661,435)</u>	<u>(3,071,845)</u>
1,577,180	3,146,450	4,616,514
-	(538,928)	(395,600)
<u>1,577,180</u>	<u>2,607,522</u>	<u>4,220,914</u>
410,196	(53,913)	1,149,069
<u>2,697,724</u>	<u>6,902,732</u>	<u>5,753,663</u>
\$ <u>3,107,920</u>	\$ <u>6,848,819</u>	\$ <u>6,902,732</u>

## PROPRIETARY FUNDS

To account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the council is that the costs of providing goods or services to the general public and interfunds on a continuing basis be financed or recovered primarily through user charges or interfund charges; or where the council has decided that periodic determination of net income is appropriate for accountability purposes.

CITY OF SULPHUR, LA.  
Enterprise Fund  
Comparative Balance Sheet  
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,991,778	\$ 3,034,638
Receivables:		
Accounts, net	263,909	196,384
Other	25,252	28,804
Inventories	<u>41,974</u>	<u>36,761</u>
Total Current Assets	4,322,913	3,296,587
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents/customer meter deposits	119,141	125,281
<b>FIXED ASSETS, Net of Accumulated Depreciation</b>	<u>33,779,077</u>	<u>34,105,646</u>
<b>TOTAL ASSETS</b>	<u>\$ 38,221,131</u>	<u>\$ 37,527,514</u>
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 52,700	\$ 41,172
Accrued salaries and payroll taxes	36,522	34,677
Accrued vacation and comp time	35,006	34,892
Accrued compensation absences	91,812	91,812
Meter deposits	119,141	125,281
Sales tax payable	<u>3,895</u>	<u>2,741</u>
Total Liabilities	339,076	330,575
<b>FUND EQUITY</b>		
Contributions:		
From municipality	26,770,212	26,105,173
From state and federal grants	<u>12,152,705</u>	<u>12,466,982</u>
Total Contributions	38,922,917	38,572,155
Retained Earnings (Deficit)		
Designated for depreciation	1,000,000	1,000,000
Unreserved – undesignated	<u>(2,040,862)</u>	<u>(2,375,216)</u>
Total Retained Earnings (Deficit)	<u>(1,040,862)</u>	<u>(1,375,216)</u>
Total Fund Equity	37,882,055	37,196,939
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 38,221,131</u>	<u>\$ 37,527,514</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
Enterprise Fund  
Comparative Statement of Revenues, Expenses  
and Changes in Retained Earnings (Deficit)  
Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>OPERATING REVENUES</b>		
Water	\$ 1,264,103	\$ 1,215,482
Sewer	1,543,440	1,333,419
Water and sewer taps	17,850	19,000
Penalties	<u>53,872</u>	<u>54,973</u>
Total Operating Revenues	<u>2,879,265</u>	<u>2,622,874</u>
<b>OPERATING EXPENSES</b>		
General and administrative	290,129	254,651
Water department	882,555	828,688
Sewer department	1,068,042	1,003,329
Depreciation	<u>1,180,728</u>	<u>935,692</u>
Total Operating Expenses	<u>3,421,454</u>	<u>3,022,360</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(542,189)</u>	<u>(399,486)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	205,566	202,905
Gain (loss) on asset disposition	<u>60,000</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>265,566</u>	<u>202,905</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<u>(276,623)</u>	<u>(196,581)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Operating transfers in	300,000	300,000
Operating transfers out	<u>(3,300)</u>	<u>(1,413,320)</u>
Total Other Financing Sources (Uses)	<u>296,700</u>	<u>(1,113,320)</u>
<b>NET INCOME (LOSS)</b>	20,077	(1,309,901)
Depreciation on Fixed Assets Acquired With Externally Restricted Capital Contributions	<u>314,277</u>	<u>314,277</u>
Increase (Decrease) in Retained Earnings	334,354	(995,624)
<b>RETAINED EARNINGS (DEFICIT) – BEGINNING OF YEAR</b>	<u>(1,375,216)</u>	<u>(379,592)</u>
<b>RETAINED EARNINGS (DEFICIT) – END OF YEAR</b>	<u>\$ (1,040,862)</u>	<u>\$ (1,375,216)</u>

See accompanying notes.



CITY OF SULPHUR, LA.  
Enterprise Fund  
Comparative Statement of Cash Flows  
Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating Income (loss)	\$ (542,189)	\$ (399,486)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	1,180,728	935,692
Gain on sale of assets	60,000	-
(Increase) decrease in accounts receivable	(63,973)	(31,108)
(Increase) decrease in inventory	(5,213)	(5,307)
Increase (decrease) in accounts payable and accrued expenses	<u>8,501</u>	<u>(6,900)</u>
Net Cash From Operating Activities	<u>637,854</u>	<u>492,891</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers – in	300,000	300,000
Operating transfers – out	<u>(3,300)</u>	<u>(1,413,320)</u>
Net Cash From Non Capital Financing Activities	<u>296,700</u>	<u>(1,113,320)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of capital assets	(189,120)	(81,723)
Other	<u>-</u>	<u>(3,353)</u>
Net Cash From Capital and Related Financing Activities	<u>(189,120)</u>	<u>(85,076)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on investments	<u>205,566</u>	<u>202,905</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>951,000</b>	<b>(502,600)</b>
<b>CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR</b>	<u><b>3,159,919</b></u>	<u><b>3,662,519</b></u>
<b>CASH AND CASH EQUIVALENTS-END OF YEAR</b>	<u><b>\$ 4,110,919</b></u>	<u><b>\$ 3,159,919</b></u>
 Cash and Equivalents – Unrestricted/Designated	 <u>\$ 3,991,778</u>	 <u>\$ 3,034,638</u>
Cash and Equivalents – Restricted	<u>119,141</u>	<u>125,281</u>
	<u><b>\$ 4,110,919</b></u>	<u><b>\$ 3,159,919</b></u>

See accompanying notes.

CITY OF SULPHUR, LA.  
Enterprise Fund  
Schedule of Operating Expenses  
Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>GENERAL AND ADMINISTRATIVE</b>		
Automotive	\$ 2,513	\$ 2,558
Bad debt expense	11,518	13,712
Dues and subscriptions	105	-
Employee benefits	32,360	28,005
Insurance	15,295	10,153
Janitorial services	843	-
Legal and professional	21,567	13,636
Miscellaneous	-	179
Office supplies	23,705	18,878
Plant maintenance	3,970	215
Salaries	168,058	156,552
Supplies	5,163	1,630
Telephone and utilities	3,067	3,236
Training	533	-
Travel	1,076	5,447
Uniforms	356	450
<b>TOTAL GENERAL AND ADMINISTRATIVE</b>	<u>\$ 290,129</u>	<u>\$ 254,651</u>
<b>WATER DEPARTMENT</b>		
Automotive	\$ 10,233	\$ 9,897
Dues and subscriptions	325	260
Employee benefits	59,467	56,926
Insurance	63,260	40,010
Janitorial	208	97
Legal and professional	869	1,527
Miscellaneous	1,341	-
Office supplies	192	-
Permits	2,023	2,027
Plant maintenance	43,652	37,597
Plant supplies	129,334	109,741
Salaries	365,377	369,716
Telephone and utilities	201,838	196,346
Training	45	550
Travel	139	-
Uniforms	4,252	3,994
<b>TOTAL WATER DEPARTMENT</b>	<u>\$ 882,555</u>	<u>\$ 828,688</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
Enterprise Fund  
Schedule of Operating Expenses  
Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
SEWER DEPARTMENT		
Automotive	\$ 14,950	\$ 11,230
Employee benefits	82,326	67,860
Insurance	58,445	38,611
Janitorial services	628	1,035
Legal and professional	7,374	12,779
Miscellaneous	1,390	2,020
Office supplies	1,574	1,222
Permits	9,148	10,313
Plant maintenance	144,867	162,747
Plant supplies	70,081	71,075
Salaries	453,429	432,136
Telephone and utilities	216,701	186,195
Training	325	235
Travel	721	-
Uniforms	6,083	5,871
TOTAL SEWER DEPARTMENT	<u>\$ 1,068,042</u>	<u>\$ 1,003,329</u>

See accompanying notes.

## INTERNAL SERVICE FUND

Internal service funds account for assets held by the City in a trustee or agency capacity. These funds are custodial in nature and do not involve measurement of results of operations.

CITY OF SULPHUR, LA.  
Internal Service Fund  
Comparative Balance Sheet  
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
ASSETS		
Cash and cash equivalents	\$ 1,609,075	\$ 1,341,403
Prepaid expenses	<u>11,347</u>	<u>11,347</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,620,422</u>	<u>\$ 1,352,750</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
LIABILITIES		
Claims payable	\$ 39,149	\$ 51,816
RETAINED EARNINGS		
Designated for catastrophic losses	<u>1,581,273</u>	<u>1,300,934</u>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<u>\$ 1,620,422</u>	<u>\$ 1,352,750</u>

See accompanying notes.

CITY OF SULPHUR, LA.  
Internal Service Fund  
Comparative Statement of Revenues, Expenses  
and Changes in Retained Earnings  
Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
OPERATING REVENUES		
Charges and fees	\$ 462,349	\$ 274,899
OPERATING EXPENSES		
General and administrative:		
Insurance	29,060	18,235
Claims settlements	214,590	258,008
Administrative costs	19,131	13,072
Total Operating Expenses	<u>262,781</u>	<u>289,315</u>
OPERATING INCOME (LOSS)	<u>199,568</u>	<u>(14,416)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest	78,190	67,066
Other income	2,581	-
Total Non-Operating Revenues (Expenses)	<u>80,771</u>	<u>67,066</u>
INCOME BEFORE OPERATING TRANSFERS	280,339	52,650
OTHER FINANCING SOURCES (USES)		
Operating transfers in	-	151,331
NET INCOME	280,339	203,981
RETAINED EARNINGS – BEGINNING OF YEAR	<u>1,300,934</u>	<u>1,096,953</u>
RETAINED EARNINGS – END OF YEAR	<u>\$ 1,581,273</u>	<u>\$ 1,300,934</u>

See accompanying notes.



CITY OF SULPHUR, LA.  
Internal Service Fund  
Comparative Statement of Cash Flows  
Years Ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 199,568	\$ (14,417)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Miscellaneous income	2,581	-
Increase (decrease) in payables	<u>(12,667)</u>	<u>39,905</u>
Net Cash From Operating Activities	189,482	25,488
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers-in	-	151,331
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on Investments	<u>78,190</u>	<u>67,066</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	267,672	243,885
<b>CASH AND CASH EQUIVALENTS-BEGINNING OF YEAR</b>	<u>1,341,403</u>	<u>1,097,518</u>
<b>CASH AND CASH EQUIVALENTS-END OF YEAR</b>	<u>\$ 1,609,075</u>	<u>\$ 1,341,403</u>

See accompanying notes.

**GENERAL FIXED ASSETS ACCOUNT GROUP**

CITY OF SULPHUR, LA.  
Comparative Schedule of General Fixed Assets – By Source  
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
<b>GENERAL FIXED ASSETS</b>		
Land and improvements	\$ 2,360,569	\$ 2,360,569
Building	2,495,747	2,489,147
Furniture and equipment	3,328,241	3,140,565
Transportation equipment	2,427,775	2,423,440
Construction in progress	<u>2,392,827</u>	<u>2,055,966</u>
Total General Fixed Assets	<u>13,005,159</u>	<u>12,469,687</u>
 <b>INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE</b>		
General and special revenue funds	<u>\$ 13,005,159</u>	<u>\$ 12,469,687</u>

See accompanying notes.

**GENERAL LONG-TERM DEBT ACCOUNT GROUP**

CITY OF SULPHUR, LA.  
Combining Statement of General Long-Term Debt  
June 30, 2001  
(With Comparative Totals for June 30, 2000)

	<u>Paving Project 1992</u>	<u>Paving Project 1993</u>	<u>Public Improvement Refunding 1993</u>
<b>AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE RETIREMENT OF GENERAL LONG-TERM DEBT</b>			
Amount available in debt service fund for debt retirement	\$ 28,568	\$ 131,677	\$ 2,464,708
Amount to be provided for retirement of general long-term debt	-	-	2,240,292
Amount to be provided from general government resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL AMOUNT AVAILABLE AND TO BE PROVIDED</b>	<u>\$ 28,568</u>	<u>\$ 131,677</u>	<u>\$ 4,705,000</u>
<b>GENERAL LONG-TERM DEBT PAYABLE</b>			
Special assessment debt	\$ 28,568	\$ 131,677	\$ -
Bonds payable	-	-	4,705,000
Accrued compensated absences	-	-	-
Obligation under capital lease	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL GENERAL LONG-TERM DEBT PAYABLE</b>	<u>\$ 28,568</u>	<u>\$ 131,677</u>	<u>\$ 4,705,000</u>

See accompanying notes.

<u>Paving Projects 1996-1999</u>	<u>Paving Projects 2000</u>	<u>General Resources</u>	<u>2001 Totals</u>	<u>2000 Totals</u>
\$ 212,736	\$ 12,003	\$ -	\$ 2,849,692	\$ 2,659,468
-	108,237	-	2,348,529	4,298,725
<u>-</u>	<u>-</u>	<u>36,391</u>	<u>36,391</u>	<u>133,655</u>
<u>\$ 212,736</u>	<u>\$ 120,240</u>	<u>\$ 36,391</u>	<u>\$ 5,234,612</u>	<u>\$ 7,091,848</u>
\$ 212,736	\$ 120,240	\$ -	\$ 493,221	\$ 453,193
-	-	-	4,705,000	6,505,000
-	-	21,224	21,224	112,828
<u>-</u>	<u>-</u>	<u>15,167</u>	<u>15,167</u>	<u>20,827</u>
<u>\$ 212,736</u>	<u>\$ 120,240</u>	<u>\$ 36,391</u>	<u>\$ 5,234,612</u>	<u>\$ 7,091,848</u>



**SUPPLEMENTAL INFORMATION**

CITY OF SULPHUR, LA.  
Schedule of Operating Transfers  
Year Ended June 30, 2001

	<u>TRANSFERS TO</u>	<u>TRANSFERS FROM</u>
<b>GENERAL FUND</b>		
Special Revenue-Sales Tax	\$ -	\$ 5,456,208
Capital Projects:		
1996/1997 public improvement	1,031,072	-
Enterprise	-	3,300
	<u>1,031,072</u>	<u>5,459,508</u>
<b>SPECIAL REVENUE FUND</b>		
General	5,456,208	-
Debt Service:		
Public Improvement 1991-B	406,380	-
Public Improvement 1993	1,746,028	-
Capital Projects:		
1992 public improvement	1,469,179	-
Enterprise	300,000	-
	<u>9,377,795</u>	<u>-</u>
<b>DEBT SERVICE</b>		
Public improvement 1991-B:		
Special revenue-Sales tax	-	406,380
1992 Public Improvement	82,536	-
Public improvement 1993:		
Special revenue-Sales tax	-	1,746,028
Public improvement 1991-1		
1996-97 Public Improvement	7,180	-
Public improvement 2000-1		
1999 Street paving	17,555	-
	<u>107,271</u>	<u>2,152,408</u>
<b>CAPITAL PROJECTS</b>		
1992 public improvement:		
Special revenue-Sales tax	-	1,469,179
Public improvement 1991B	-	82,536
Public improvement 1996/1997	538,928	-
1996/1997 public improvement:		
General	-	1,031,072
1992 public improvement	-	538,928
Public improvement 1991-1	-	7,180
1999 Street paving		
Public improvement	-	17,555
	<u>538,928</u>	<u>3,146,450</u>
<b>ENTERPRISE FUND</b>		
General	3,300	-
Special revenue-Sales tax	-	300,000
	<u>3,300</u>	<u>300,000</u>
<b>TOTAL TRANSFERS</b>	<u>\$ 11,058,366</u>	<u>\$ 11,058,366</u>

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

September 25, 2001

To the Members of the City Council  
City of Sulphur, Louisiana

We have audited the primary government financial statements of City of Sulphur, Louisiana, as of and for the year ended June 30, 2001, and have issued our report thereon dated September 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Sulphur, Louisiana's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Sulphur, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of City of Sulphur, Louisiana in a separate letter dated September 25, 2001.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

*Gragson, Casiday & Guillory*

CITY OF SULPHUR, LA.  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2001

We have audited the primary government financial statements of City of Sulphur, LA. as of and for the year ended June 30, 2001, and have issued our report thereon dated September 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2001 resulted in an unqualified opinion.

I. Summary of Auditors' Reports

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes      X no

Reportable condition(s) identified that are

not considered to be material weakness(es)? \_\_\_\_\_ yes      X none reported

Noncompliance material to financial statements  
noted? \_\_\_\_\_ yes      X no

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

N/A

CITY OF SULPHUR, LA.  
Schedule of Prior Year Findings  
Year Ended June 30, 2001

Section I – Internal Control and Compliance Material to the Financial Statements

2000-1      Fixed Asset Detail – Recommendation to reconcile the general ledger to detailed fixed assets records.

Status – Resolved

2000-2      Accounts Receivable – Public Utilities – Recommendation to reconcile the general ledger to detailed accounts receivable records.

Status – Resolved

Section II – Internal Control and Compliance Material to Federal Awards.

N/A

GRAGSON, CASIDAY & GUILLORY, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.  
RICHARD W. CASIDAY, C.P.A.  
RAYMOND GUILLORY, JR., C.P.A.  
COY T. VINCENT, C.P.A.

GRAHAM A. PORTUS, E.A.

JULIA W. PORTUS, C.P.A.  
DAWN REDD, C.P.A.  
MICHELLE F. BOURNE, C.P.A.  
PAIGE F. BROWNE, C.P.A.

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FACSIMILE (337) 439-1366  
1215 POST OAK ROAD, SUITE 6  
SULPHUR, LOUISIANA 70663  
TELEPHONE (337) 625-1986  
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MANAGEMENT LETTER

September 25, 2001

To the Management and the Members  
of the City Council  
City of Sulphur, LA.

We have audited the financial statements of City of Sulphur, LA. as of and for the year ended June 30, 2001, and have issued our report thereon dated September 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As a part of our examination, we have issued our report on the financial statements, dated September 25, 2001, and our report on internal control and compliance with laws, regulations and contracts, dated September 25, 2001.

During the course of our examination, we became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2001-01:

We tested the six petty cash funds and found the following discrepancies:

<u>Fund</u>	<u>G/L Balance</u>	<u>Tested Balance</u>	<u>Excess Cash</u>
Vault	\$ 200.00	\$ 201.67	\$ 1.67
Police	50.00	134.02	84.02
Permits	50.00	50.14	0.14
Animal Control	20.00	20.00	-
Narcotics – Drug Seizure	272.44	272.59	0.15
Water	200.00	206.09	6.09
			<u>\$ 92.07</u>

For the police petty cash fund, the responsible person does not balance the drawer to fifty dollars when making a deposit. The only reconciliation performed is the reconciling of receipts to deposited cash. We recommend that when making a deposit, which should be at least on a monthly basis, the receipts agree with the cash deposit and that the remaining petty cash fund equals fifty dollars.



For the water petty cash fund, we found an envelope containing \$5.66 in the lockbox that had a date handwritten on the envelope. When personnel reconcile the draws at the end of the day and there is excess monies, this excess is put in an envelope, dated as of that date and put in the lockbox for an unspecified length of time or until a customer inquiry resolves the discrepancy. We recommend that the excess be deposited daily and coded to an excess/short expense account in the general ledger, excess cash should not be retained in the drawers. The daily activity report of collections/deposits can resolve any customer inquiry.

In addition, we tested the narcotics buy money fund. A balance of this account is not maintained on the general ledger. Funds are requested as needed and expensed within the Police Department's annual expenditure budget. A ledger is maintained internally by personnel and receipts are issued for each disbursement. We found excess cash of \$110.19 (difference between cash on hand and balance per ledger book). We recommend that the cash on hand should be reconciled monthly to the ledger book and any discrepancies investigated.

Overall, controls over petty cash funds should be strengthened to ensure regular reconciliations and timely resolving of any discrepancies.

**Management Response:** Agreement with Comments. Controls will be strengthened to ensure reconciliations of petty cash funds to general ledger and/or ledgers on a monthly basis.

Suggestion 2001-02:

The utilities billing system was set up with a suspense cash account and suspense cash payable where any overpayments are recorded. The total credit balances in the billing journals should agree to the suspense payable account on the general ledger; however, other transactions are being recorded to the suspense payable account that are not originating from the billing system. One item noted was the posting of customer deposit refunds to the suspense payable account instead of the customer deposit account. We recommend that management investigate and correct these non-billing system postings.

**Management Response** – Agreement with comments. Inquiries and corrections will be implemented.

Suggestion 2001-03:

Investments are adjusted annually at June 30<sup>th</sup> to fair market values as required by Government Accounting Standards. We recommend that this adjustment be done on a monthly basis to provide accurate reporting of investments and investment earnings, including unrealized gains/losses.

**Management Response** – Agreement with comments. Investments will be adjusted monthly to fair market values.

City of Sulphur, LA.  
September 25, 2001  
Page Three

Suggestion 2001-04:

The inventory subsidiary ledger did not agree with the general ledger account by an immaterial amount. Upon testing, it was found that the subsidiary ledger did not update itself after actual physical count adjustments were input. We recommend that controls be strengthened to ensure complete and accurate reporting of the subsidiary ledger.

**Management Response** – Agreement to comments. Controls of inventory software (subsidiary ledger) will be improved to ensure accurate reporting.

We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendations.

*Dragson, Coridley & Huillong*